

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-08 INR-07 LAB-04
NSAE-00 SIL-01 PM-04 H-01 L-03 NSC-05 PA-01
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FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 7354
INFO SECDEF WASHDC
COMUSJAPAN YOKOTA AB JA
CINCPAC HONOLULU HI

C O N F I D E N T I A L TOKYO 6318

CINCPAC ALSO FOR POLAD - OSD FOR ISA AND I & L

E.O. 11652: GDS
TAGS: MARR, JA
SUBJECT LABOR COST SHARING NEGOTIATIONS

REF: TOKYO 3406

1. AT SECOND SESSION OF LABOR COST SHARING NEGOTIATIONS HELD
APRIL 28, U.S. SIDE PRESENTED DETAILS OF U.S. LABOR COST
SHARING PROPOSAL. (TEXT OF PAPER PRESENTED TO JAPANESE SIDE
FOLLOWS IN PARA 2.) JAPANESE CHAIRMAN ASAO RESERVED QUESTIONS
AND COMMENT ON WHAT HE CALLED "COMPREHENSIVE AND FAR-REACHING
U.S. PROPOSAL" UNTIL THIRD NEGOTIATING SESSION WHICH IT WAS
AGREED WOULD BE HELD IN LATE MAY WHEN CURRENT DIET SESSION
ENDS.

2. BEGIN TEXT OF U.S. PAPER.

WE APPRECIATE THE OPPORTUNITY TO PRESENT DETAILED PROPOSALS AS
WE AGREED TO DO AT THE FIRST MEETING OF OUR WORKING GROUP. IN
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BRIEF, OUR PROPOSALS CAN BE SUMMARIZED AS FOLLOWS:

1) ASSUMPTION BY THE GOVERNMENT OF JAPAN OF FUTURE RETIRMENT-
ALLOWANCE PAYMENTS, TO INCLUDE RESPONSIBILITY FOR ACCRUED
RETIREMENT-ALLOWANCE LIABILITIES.

2) ASSUMPTION BY THE GOVERNMENT OF JAPAN OF THOSE U.S. FORCES

JAPAN COSTS WHICH EXCEED PREVAILING PRACTICE, NOTABLY THE 10 PERCENT USFJ DIFFERENTIAL AND LANGUAGE ALLOWANCE.

3) ASSUMPTION BY THE GOVERNMENT OF JAPAN OF ALL SOCIAL INSURANCE COSTS, INCLUDING HEALTH INSURANCE, WELFARE ANNUITY INSURANCE, UNEMPLOYMENT INSURANCE, WORKMEN'S ACCIDENT COMPENSATION INSURANCE, CHILDREN'S INSURANCE, AND MARINERS' INSURANCE.

4) ASSUMPTION BY THE GOVERNMENT OF JAPAN OF ALL RETROACTIVE CLAIMS AND THE FUTURE COSTS OF DFAA LABOR ADMINISTRATION (ADMINISTRATIVE FEES).

THESE PROPOSALS APPLY TO ALL EMPLOYEES UNDER THE MASTER LABOR CONTRACT (MLC), THE MARINER CONTRACT (MC), AND THE INDIRECT HIRE AGREEMENT (IHA).

LET ME DISCUSS EACH OF THESE AREAS IN GREATER DETAIL.

1. RETIREMENT ALLOWANCE

THIS IS BY ALL ODDS THE MOST BURDENSOME LABOR-COST OBLIGATION AND THE ONE WHICH POSES THE MOST DIFFICULTIES FOR THE UNITED STATES IN THE FUTURE. AS NOTED IN THE LABOR-COST STUDY, CERTAIN ASPECTS OF THE RETIREMENT ALLOWANCE ARE MORE GENEROUS THAN STANDARD JAPANESE PRACTICE, BUT THE MORE FUNDAMENTAL DIFFICULTY IS THAT THESE COSTS HAVE BEEN INCREASING AND ARE LIKELY TO CONTINUE TO INCREASE MORE RAPIDLY THAN IN MOST ADVANCED COUNTRIES IN WHICH U.S. FORCES EMPLOY CIVILIAN WORKERS, INCLUDING THE UNITED STATES. MOREOVER, WHEREAS RETIREMENT BENEFITS COMMONLY

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ACT AS A STIMULUS TO THE ECONOMY OF THE NATION WHERE BUDGETED, A LARGE PROPORTION BEING SPENT IN THE ECONOMY WITH MULTIPLIER EFFECT, THIS IS NOT SO WHEN FUNDS ARE BUDGETED IN THE U.S. AND EXPENDED IN JAPAN.

TO GIVE AN IDEA OF THE MAGNITUDE OF THE RETIREMENT-ALLOWANCE OBLIGATION, ACCRUALS IN JFY-77, ASSUMING A STATIC WORK FORCE OF 23,000, TOTALED 18.2 BILLION YEN BUT WERE EXPECTED TO RISE TO 30.3 BILLION YEN IN JFY-81.

THE ANNUAL PAYMENT FOR RETIREMENT ALLOWANCES FOR WHICH WE ASK THE GOVERNMENT OF JAPAN TO ASSUME RESPONSIBILITY ARE ESTIMATED AT A RANGE OF 7.77-10.24 BILLION YEN FOR JFY-77 TO 12.12-14.69 BILLION YEN IN JFY-81. WE SUBMIT DETAILED TABLES (BEING POUCHED) SHOWING THE DEVELOPMENT OF THESE FIGURES, WHICH ARE CALCULATED ON THE BASIS OF THE FOLLOWING DATA BASE AND ASSUMPTIONS:

1) ANNUAL PAY INCREASES, INCLUDING LONGEVITY-STEP INCREASES OF 10 PERCENT (7.5 PERCENT BASIC WAGE INCREASE AND 2.5 PERCENT STEP INCREASES).

2) AN AVERAGE LENGTH OF SERVICE OF 17.9 YEARS FOR MASTER LABOR CONTRACT AND MARINER CONTRACT EMPLOYEES, AND 7.1 YEARS FOR INDIRECT HIRE EMPLOYEES AS OF JFY-76, INCREASED EACH YEAR THEREAFTER BY ONE YEAR FOR MLC-MC EMPLOYEES AND .5 YEARS EACH YEAR FOR IHA EMPLOYEES.

3) WE HAVE PROJECTED RETIREMENT ALLOWANCES BASED ON PURELY HYPOTHETICAL REDUCTIONS IN FORCE RANGING FROM 3-5 PERCENT, WITH ADVANCED AGE TERMINATIONS ADDED AND WORKERS RETIRING BECAUSE OF ADVANCED AGE BEING REPLACED BY YOUNGER WORKERS.

COSTS EXCEEDING PREVAILING PRACTICES:

WE BELIEVE THAT MUCH OF THE RATIONALE ACCOMPANYING THE ORIGINAL DECISION TO PROVIDE ALLOWANCES UNIQUE TO JAPAN NO LONGER APPLIES. IT CAN NO LONGER BE ARGUED, WE HOPE, THAT THERE IS A STIGMA ATTACHED TO EMPLOYMENT WITH THE U.S. FORCES; EMPLOYMENT WITH FOREIGNERS IS NO LONGER EXCEPTIONAL; AND, PERHAPS MOST IMPORTANTLY, CONFIDENTIAL

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ANTLY, THE 10 PERCENT DIFFERENTIAL LOOMS AS A MUCH MORE MEANINGFUL BUDGET CONSIDERATION THAN IT DID WHEN IT WAS ESTABLISHED. IT IS ALSO DIFFICULT TO JUSTIFY A LANGUAGE ALLOWANCE IN THIS DAY AND AGE WHEN EMPLOYMENT WITH FOREIGN FIRMS OR JOINT VENTURES IS NO LONGER SO UNIQUE AND WHEN INSTRUCTION IN ENGLISH IS SO WIDESPREAD IN THE JAPANESE EDUCATIONAL SYSTEM.

THE 10 PERCENT DIFFERENTIAL IS ESTIMATED AT 4.74 BILLION YEN FOR JFY-77, INCREASING TO 6.93 BILLION YEN IN JFY-81. THESE FIGURES ARE BASED ON A STATIC WORK FORCE OF 23,000.

THE LANGUAGE ALLOWANCE COSTS ARE ESTIMATED AT .36 BILLION YEN THROUGHOUT THE 5-YEAR PROJECTED PERIOD.

SOCIAL INSURANCE

SOCIAL INSURANCE COSTS ARE ESTIMATED AT 5.17 BILLION YEN FOR JFY-77, INCREASING TO 7.57 BILLION YEN IN JFY-81.

ADMINISTRATIVE FEE

WE CONSIDER THIS SHOULD BE A NORMAL OPERATING EXPENSE OF THE GOVERNMENT OF JAPAN. RETROACTIVE CLAIMS TOTAL 1.81 BILLION YEN AND ARE PROJECTED AT .97 BILLION YEN FOR FY-77, INCREASING TO 1.56 BILLION YEN IN FY-81. THESE FIGURES ARE BASED ON THE DFAA PROPOSED PER-CAPITA CLAIM FOR JFY-75 OF 3,593 YEN, INCREASING AT A 10 PERCENT ANNUAL RATE THEREAFTER. FOR IHA EMPLOYEES, THE COMPUTATION IS BASED ON 1/3 OF 1 PERCENT OF REGULAR MONTHLY PAYROLL COSTS.

THE ABOVE PROPOSALS, IF ACCEPTABLE TO THE JAPANESE SIDE, WOULD

BE REGARDED AS A SIGNIFICANT RECOGNITION BY THE JAPAN OF ITS
MUTUAL SECURITY OBLIGATIONS IN KEEPING WITH THE SPIRIT OF THE
UNITED STATES-JAPAN TREATY OF MUTUAL COOPERATION AND SECURITY.
APART FROM OFFERING RELIEF TO ONE OF THE MOST BURDENSOME ASPECTS
OF THE UNITED STATES FORCES' BUDGET, THE ABILITY OF THE UNITED
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STATE FORCES TO IMPLEMENT SMOOTHLY THE ANNUAL WAGE RECOMMENDA-
TIONS OF THE GOVERNMENT OF JAPAN WOULD BE GREATLY ENHANCED.

WE WOULD BE PLEASED TO ANSWER ANY QUESTIONS IN REGARD TO THE
U.S. PROPOSAL OR TO PROVIDE ADDITIONAL DATA. I WOULD ALSO LIKE TO
CALL ATTENTION TO THE U.S. FORCES ARGUMENTATION CONTAINED IN
THE STUDY SUBMITTED TO THE JOINT COMMITTEE ON DECEMBER 1, 1976,
MUCH OF WHICH I HAVE NOT ATTEMPTED TO REVIEW TODAY. END TEXT.
SHOESMITH

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Message Attributes

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Disposition Date: 22 May 2009
Disposition Event:
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Status: NATIVE
Subject: LABOR COST SHARING NEGOTIATIONS
TAGS: MARR, JA, US
To: STATE
Type: TE
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